

QUARTERLY PROGRESS
REPORT AND FINANCIAL
SUMMARY

JULY TO SEPTEMBER 2005

LOCAL GOVERNMENT REFORM
PROJECT II/CROATIA

Prepared for

Prepared by

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Attachment: Financial Summary

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LOCAL GOVERNMENT REFORM PROJECT II/CROATIA

I. BACKGROUND

The purpose of this contract is to implement the Local Government Reform Project II, which addresses the various components of the system of local government in Croatia. The project is intended to assist central and local institutions in Croatia to work toward greater decentralization, transparency, and improved fiscal and management practices among local governments. This report is organized around the components of the project described in the project's revised statement of work. The activities under each component are listed in chronological order.

II. SUMMARY

1. Policy Dialogue and Reform

- LGRP hired an electoral legislation specialist, Jessie Pilgrim, to provide comments from an international perspective on the Government's proposal for the *Law on Direct Elections of County Prefects, Mayor of Zagreb, Mayors and Heads of Municipalities*. Additionally, Jessie Pilgrim identified sections of the *Law on Election of Members of Representative Bodies of Local Governments* and the *Law on Local and Regional Governments* to be amended in order to accommodate direct elections of a mayor.
- LGRP used the services of its consultant Ivan Grdešić, professor at the University of Zagreb's Faculty of Political Science, to provide a domestic perspective on the proposed legislation and contribute to the international observations made by Jessie Pilgrim. Comments on the Draft Law on Direct Elections of the Mayor were compiled and used as a basis for discussions at LGRP/GONG Local Government Hour on Direct elections. These comments were also delivered to 50 Members of Croatian Parliament (including the Speaker of the Parliament, the deputies, the Heads of political caucuses, the Heads of relevant committees and individual MPs) in advance of Parliamentary debate on proposed legislation and used during the discussion of the Draft Law on the floor of the Sabor.
- During the reporting period, LGRP subcontracted the citizen advocacy group GONG to implement a series of eight roundtables on local government issues called "Local Government Hours" (LGH) through the end of 2005.
- The first LGH on the *Law on Election of County Prefects, Mayor of City of Zagreb, Mayors and Heads of Municipalities* was held on September 26, immediately after parliamentary debate on this law. Keynote speakers at this LGH were Antun Palaric, CSOA State Secretary, Jessie Pilgrim, LGRP Electoral Legislation Expert, Ivan Grdešić, LGRP consultant and Professor at the Faculty of Political Science, Mr. Boško Picula, Professor at the Faculty of Political Science, and Vojko Obersnel, President of the Association of Cities. Participants in the roundtable represented various local governments,

counties, UNDP, OSCE, US Embassy, Savez, political caucuses, parliamentary committee and the media.

- Conclusions of the roundtable were published in the national daily press (with at least five articles in newspapers and one radio broadcast). Additionally, the Croatian National Television (HRT) featured direct elections of a mayor as a topic in the late night talk show "Otvoreno". Jessie Pilgrim was asked to record a statement on recommendations related to direct elections of the mayor and UI consultant Ivan Grdesic appeared on the show with additional commentary on the law.

2. Advocacy of Local Government Interests

- As part of LGRP's work to develop the capacity of the Union of Association of Cities and Association of Municipalities (Savez), Savez drafted an action plan, which included hiring two additional staff members. In September, Savez hired Nives Kopajtich-Skrlec, former staff person of the Government's Office for State Administration, as legal/policy support staff. This will enable Savez to take a more proactive role in the advocacy of local government interests.
- LGRP subcontracted a public relations firm, Madison Consulting, to assist Savez with the promotion of its Annual Assembly and the newly elected leadership with advocacy efforts and efforts to increase Savez's visibility. The firm will utilize various mechanisms such as press conferences, briefings with journalists, interviews, TV and radio shows and a promotion brochure as part of a media strategy for the Savez. Savez staff will work closely with the firm to implement these mechanisms and learn how to utilize them with limited or no assistance in future. This effort will lead to the creation of a media relations plan for the Savez, which the organization can replicate in the future.

3. Development of a Market for Local Government Consulting Services (Outsourcing)

- In August and September, LGRP developed a strategy for enhancing the market for Local Government services, including business and consultancy services, as part of the new program component focusing on outsourcing. This work was divided into three components, each focusing on a different aspect of outsourcing: 1) Research and report on outsourcing, 2) Directory and 3) Regional conferences.
- LGRP staff met with the National Foundation for Civil Society Development (NFCSD) in July on collaboration in promoting the local government outsourcing market. NFCSD agreed to formal cooperation in developing the Directory of Professional Expertise, as well as assistance in participating in planned LGRP regional conferences on outsourcing local government services.
- During the reporting period, LGRP began organizing regional conferences, with a focus on identifying guest speakers, developing the agenda for the conferences and sending invitations to local governments. The design of the Directory was finalized, upon receiving USAID's approval of the project's letterhead. Regional conferences are scheduled for October 27 (first conference date) and in November in the local governments of Opatija, Koprivnica, Zagreb, Osijek and Split. The Directory of Professional Expertise will be presented at the conferences with a listing of service providers that will be updated on a regular basis as new information arrives to the LGRP.



4. Technical Assistance to Local Governments

- One billion dollars worth of assets have been inventoried in accordance with the parameters of the Asset Management (AM) model. The vast majority of the assets have been analyzed with regard to classification and grouping into appropriate portfolios. For high priority portfolios, the compilation and analysis of property-level financial information is in various stages of implementation.
- In addition to the assets which have been inventoried in Split, a further 12,500 land parcels roughly estimated to be worth \$0.3 billion have been identified for analysis and subsequent addition to the inventory. However, extensive research of the legal status of these parcels is necessary and requires commitment of major city resources. Culture and sports assets of the City of Split also need to be inventoried.
- Twenty-nine local governments are now actively using the e-government model. Cost savings and/or cost avoidance for Q4 2005 is estimated at 1.65 million KN and 54,444 citizen usages were recorded through the newly installed automatic system for recording of usages at all installed systems.
- Official opening of the City of Vinkovci E-government Model was held during the Vinkovci City Day attended by the USAID Director, the Speaker of the Croatian Parliament and the Ministers of Health and Education.

III. PROGRESS OF MAJOR ACTIVITIES FOR EACH PROJECT COMPONENT

POLICY

- As previously agreed with USAID and in order to address benchmarks for the policy component in a systematic and coordinated fashion, LGRP is undertaking a major analysis of the detailed existing functions of the state and deconcentrated state administration at the county level, county level self governments and local self governments. The analysis will focus on those sectors that have good potential candidate functions for devolution from either the state or county level to local self-governments. After defining the existing functions of each level of government, field visits and extensive meetings will be conducted to identify those current tasks of state and county level government which local governments are capable of absorbing and which are the highest priority of local governments for devolution. The analysis is being conducted in cooperation with Savez and interested local governments. It will result in recommendations of the highest priority functions that will be further studied and in the preparation of detailed proposals.
- The administration and senior management of Savez have endorsed this approach and are particularly interested to conduct the analysis and formulate recommendations that will be extremely useful to Savez members of the Decentralization Commission and supporting Experts Groups now being formed.
- LGRP has prepared a first draft of the functional assignment matrices for presentation and discussion at the Savez Annual Assembly on 18-19 October. In cooperation with Savez, LGRP will present the

concept to all member local governments and will solicit the active participation of local governments in the analysis.

- The LGRP drafted a terms of reference (TOR) for EC (CARDS) Administrative Decentralization project funded at 1.5 million Euros. During reporting period, the TOR was presented to the EC office in Zagreb by the Government of Croatia. This EC project will complement the work of the LGPR and will run parallel with the CARDS Fiscal Decentralization Project, which aims to provide experts as part of the Decentralization Commission.
- During the reporting period, LGRP hired an electoral legislation specialist, Jessie Pilgrim, to provide comments from an international perspective on the Government's proposal of the *Law on Direct Elections of County Prefects, Mayor of Zagreb, Mayors and Heads of Municipalities*. Additionally, Jessie Pilgrim identified sections of *Law on Election of Members of Representative Bodies of Local Governments* and *Law on Local and Regional Governments* to be amended in order to accommodate direct elections of a mayor.
- LGRP used the services of its consultant, Ivan Grdešić, professor at the Faculty of Political Science, to provide a domestic perspective on proposed legislation to contribute to international observations by Jessie Pilgrim. Comments on the Draft Law on Direct Elections of the Mayor were compiled and used as a basis for discussions at LGRP/GONG Local Government Hour on Direct elections. These comments were also delivered to 50 Members of Croatian Parliament (including Speaker of the Parliament, its deputies, Heads of political caucuses, Heads of relevant committees and individual MPs) in advance of Parliamentary debate on proposed legislation and used during the discussion of the Draft Law.

Relationship of Mayor and Local Council

- In 1999, Savez prepared a proposal for a draft Law on Local and Regional Government which provided for direct elections of a mayor and included legal language to regulate the relationship between mayor and local council under direct elections of the mayor. Jessie Pilgrim reviewed Savez's proposal of the draft law's section that addresses the relationship between the mayor and the council. He met with Nives Kopajtich-Škrlec and provided his comments and observations on how the language could be improved. Mr. Pilgrim believes that Savez's proposal lays out a good ground for a productive relationship between mayor and local council.

ADVOCACY

Union of Association of Cities and Association of Municipalities (SAVEZ)

- As part of LGRP work to develop the capacity of the Union of Association of Cities and Association of Municipalities (Savez), Savez drafted an action plan, which included hiring two additional staff members. In September, Savez hired Nives Kopajtich-Škrlec, former staff person of the Government's Office for State Administration, with a primary role of a legal/policy support staff. This action on the part of Savez will enable it to take a more proactive role in advocacy of local government interests.



- According to the results of UNDP/Puls *Research on perception of city and municipality officials about working conditions and problems in local administration*, 26 percent of Savez non-members and 76 percent of members think that Savez should be providing professional advice to local governments. With Ms. Kopajtich-Škrlec on board Savez has opened-up telephone line for professional advice to member local governments twice a week for two hours.
- Furthermore, Ms. Kopajtich-Škrlec was a Head of Department in Central State Office for Administration (CSOA) prior to position in Savez. In this role she was appointed to Decentralization Commission. She remained to serve on Decentralization Commission thus increasing Savez's representation from three to four out of a total nineteen members.

Best Practice Project

- The second Best Practice (BP) Project is scheduled to begin in late October / November 2005. During reporting period LGRP received Savez's draft proposal for partnership in the project. According to the proposal, LGRP will support the Best Practice Project by actively participating in Committees, evaluating received applications, participating in Project related activities and supporting dissemination of Best Practices.

Savez's legislative/policy activities

- In mid-July, Central State Office for Administration (CSOA) requested Savez to provide comments on final draft Law on local and regional government prior to sending it into Governmental procedure. Therefore Savez decided to postpone release of its policy statements (developed in collaboration with the LGRP) and send the draft law to members for comments. Comments were consolidated by Savez staff and formally sent to CSOA for consideration. As response, the CSOA agreed to decentralize competencies over parking regulation to all cities and municipalities.
- Based on draft policy statement on construction/location permitting prepared by Savez and LGRP, Savez requested decentralization of permitting to all cities. However, CSOA agreed to decentralize construction/location permitting to large cities only. The final decision on decentralization of parking regulation and construction/location permitting will be brought by Parliament and most probably during next reporting period.
- Savez is working with the LGRP on the Functional Assignments research (see policy section above). The study is taking a comprehensive approach to enumerating local government functions, presenting shared responsibilities with County, State Administration and Central Government and determining priority functions for decentralization. LGRP and Savez will work together with local governments to determine priority functions for decentralization and create detailed technical study on several priorities with specific recommendations. These studies and recommendations will represent a solid basis for Savez advocacy efforts in the area of decentralization.

SAVEZ Annual Assembly

- The Savez 2005 Assembly is scheduled to take place on October 18 – 19, 2005 in Opatija. This Annual Assembly has special importance, as the new leadership of Savez will be selected for a mandate of four years. Savez used to prepare one-day Assembly meetings with legally binding issues or elections to be addressed with limited possibilities for discussion of local government issues or exchange of experiences. Also, there was virtually no media presence at the Assembly.

Based on LGRP recommendations to the staff of Savez, the 2005 Annual Assembly will be the first two-day Assembly Savez has ever conducted. In addition to elections of new leadership, this Assembly will focus on advocacy for decentralization of functions and provide forum for exchange of experiences in local government daily operations with emphasis on Croatian local government best practices and innovations.

LGRP subcontracted a public relations firm (Madison) to assist Savez in promotion of the Assembly, newly elected leadership, advocacy efforts and visibility of Savez in general. The firm will utilize various mechanisms such as press conferences, briefings with journalists, interviews, TV and radio shows and promotion brochure. Savez staff will work closely with the firm to implement these mechanisms and learn how to utilize them with limited or no assistance in future.

Shared Tax Study

- LGRP and Savez have joined into a partnership to research methods of improving local fiscal autonomy by addressing shared tax revenues as major source of local revenues. Savez and LGRP have asked the Institute of Public Finance (IPF) or Economics Institute to carry out analysis of shared taxes and provide simulations of impact of revisions to existing system of local finance and central budget. This work will be completed during the next reporting period.

Local Government Hours

- During the reporting period, LGRP subcontracted with the citizen advocacy group, GONG, to implement series of eight round-tables on local government issues called "Local Government Hours" (LGH) through the end of 2005.
- The first LGH on the topic of *Law on Election of County Prefects, Mayor of City of Zagreb, Mayors and Heads of Municipalities* was held on September 26 immediately after parliamentary debate on this law. Key note speakers at this LGH were Antun Palaric, CSOA State Secretary, Jessie Pilgrim, LGRP Electoral Legislation Expert, Ivan Grdešić, LGRP consultant and Professor at the Faculty of Political Science, Mr. Boško Picula, Professor at the Faculty of Political Science and Mr. Vojko Obersnel, President of Association of Cities. Participants at the roundtable represented various local governments, counties, UNDP, OSCE, US Embassy, Savez, political caucuses, parliamentary committee and the media.
- Conclusions of the roundtable were published in national daily press. In addition to that, Croatian National Television (HRT) featured Direct Elections of a mayor as a topic in a late night talk-show



“Otvoreno”. Jessie Pilgrim was asked to pre-record a statement on recommendations related to direct elections of the mayor.

Update from Sabor

- Savez, as the local government umbrella organization is informed about legislation related to local governments, but a number of smaller local governments are still missing timely information on legislative that might effect local governments. Therefore LGRP drafted a scope of work for preparation of monthly “Update from Sabor” and is instructed by USAID to subcontract with GONG for its implementation.

CONSULTANCY MARKET (OUTSOURCING)

In August and September, as part of the new program component focusing on outsourcing, LGRP developed a strategy for enhancing the market for Local Government services, including both NGO, business and consultancy services. This work was divided into three components each focusing on a different aspect of outsourcing: 1) Research and report on outsourcing, 2) Directory and 3) Regional conferences.

- LGRP continued with activities that focused on strengthening the consultancy market (outsourcing) for local governments. LGRP staff met with National Foundation for Civil Society Development (NFCSD) in July on collaboration in promoting the local government outsourcing market, and NFCSD agreed to formal cooperation in developing the Directory of Professional Expertise as well as assistance in participating in planned LGRP regional conferences on outsourcing local government services.
- LGRP presented the concept of conducting regional conferences on outsourcing and Directory of Professional Expertise to the Union of Association of Cities and Association of Municipalities. The Union tentatively agreed to participate in the regional conferences and maintain the Directory in the future.
- In July, LGRP ran the first advertisement in major Croatian newspapers inviting local government service providers to submit information on their firm or NGO for inclusion in the Directory. The first 100 applications were received.. The second round of advertisements was placed in Croatian newspaper in September. LGRP also initiated a massive contact campaign, consisting of phone calls to all Croatian local governments in order to gather more information on services providers.
- In August, an LGRP-hired consultant completed his research on outsourcing local government services in Croatia. The consultant has prepared a draft report with expectations for the report to be presented at regional conferences on outsourcing. LGRP plans to present the results of the report to the Union of Local Government Associations and the NFCSD. LGRP also hired an IT consultant to develop the Directory of Professional Expertise. That work had now been completed.. The Directory had been filled with first 200 entries on services providers for local governments.
- As a part of efforts to strengthen and institutionalize HUKON, LGRP facilitated reserving internet domain “HUKON”, obtaining email addresses for members of HUKON Board and developing a

HUKON web site. HUKON's web site is now pending materials from HUKON Management Board. LGRP also identified a financial management consultant to help develop HUKON's Business and Financial Plan. LGRP developed a scope of work for a financial consultant to assist HUKON.

- During the reporting period, LGRP started to organize regional conferences, with focus on identifying guest speakers, developing the agenda for the conferences and sending invitations to local governments. Visual identity of the Directory is expected to be completed soon upon receiving approval of project's letterhead. Regional conferences are scheduled to be conducted in October 27 and in November at following locations: Opatija, Koprivnica, Zagreb, Osijek and Split. The Directory of Professional Expertise will also be presented at regional conferences with a listing of service providers that will be continuously updated as new information arrives to the LGRP.
- In September, as part of the outsourcing component, LGRP assisted HUKON in the process of developing a clearing-house for local government consultants. In consultations with the HUKON Board, LGRP developed a plan for assisting HUKON in developing project proposals, short and long-term financial plans and in better promoting their practices through the web site and newsletter. LGRP developed a plan for assessing the overall results up to date, and for conducting an evaluation of HUKON through individual interviews, cost-benefit analysis and evaluation of current practices (follow-up to the survey conducted eight months ago).
- As one of the most important components of outsourcing, LGRP continued monitoring the NGO Charter implementation in Rijeka and has promoted this city policy document to other local governments. So far, Osijek, Split, Glina, and the Vukovarsko-srijemska county have fully accepted the Charter and are working on developing program for NGO transparent financing. The overall goals of the LGRP's program are to assist local governments in 1) adopting the Charter, 2) developing a standart set of criteria for transparent financing NGOs and citizen initiatives, and 3) developing a system of internal and external information sharing and communication (e-government).
- LGRP-trained consultants in the area of citizen participation have continued with the implementation of their activities, specifically in the cities of Slatina, Glina and Zabok (deepening of the model). Consultants have also succeeded in signing contracts on a full-cost basis, specifically, Branislav Vorkapic has begun implementation of the citizen participation and public space development projects in five neighborhood councils in Slatina under a full cost contract with the City of Slatina.
- LGRP Cost-Share Program (CSP) II will run through March 2006. In the period between March 2005 and March 2006 all consultants are required to submit any outstanding contractual documentation, work with local governments in their respective fields, produce required products/deliverables and deliver it to LGRP for review, approval and payment. As of end of September, implementation of 36 contracts has been completed, all products were delivered and consultants were paid for services rendered to local governments. Local Government contribution to the paid labor services of LGRP-trained consultants amounts to about 2 million kunas.



ASSET MANAGEMENT (AM)

- \$1.0 billion worth of assets have been inventoried in accordance with the parameters of the AM model. The vast majority of the assets have been analyzed with regard to classification and grouping into appropriate portfolios. For high priority portfolios, the compilation and analysis of property-level financial information is in various stages of implementation.
- In addition to the assets which have been inventoried in Split, a further 12,500 land parcels roughly estimated to be worth \$0.3 billion have been identified for analysis and subsequent addition to the inventory. However, extensive research of the legal status of these parcels, requiring commitment of major city resources is necessary. Culture and sports assets of the City of Split also need to be inventoried.
- It was previously agreed with USAID that semi-annual reporting on achievement of the AM revenue targets will commence in January 2006 after arrangements have been made with the Ministry of Finance and FINA for access to official revenue data of local governments implementing the AM Model.
- The USAID Director and LGRP met with the Mayor of the City of Split and City staff to get agreement on the continuation of AM Model implementation following the election and installation of the new city government. The City agreed and has now formulated a new Task Force for AM which has already met twice under the continuing leadership of Mr. Grisogono (head of the task force under the previous mayor). The workshops to date have been primarily to review the progress made earlier and to assign responsibilities to new members of the Task Force.
- LGRP has also met with the Mayor of the City of Rijeka and City staff and secured their commitment to implement the AM Model. The Mayor is to formulate the Task Force for AM in October and work will begin immediately.
- Training was completed for all 11 steps of the AM Model in the 8 municipalities in the Vojnic and Đulovac clusters. The municipalities were provided technical assistance for partial inventory and analysis, depending upon the progress made by each municipality. Continuing support will be provided on a limited basis; especially to Vojnic which has been the most pro-active of the municipalities, has made substantial progress in inventory and analysis of assets and has requested further assistance to prepare an asset management plan and recommendations report.
- A draft Guidebook on the Legal Basis for Asset Management was completed and reviewed. Final comments are now being incorporated in the draft.
- LGRP supported preparation of presentations of the AM model to the SDP Convention, which resulted in SDP endorsement of implementation of the AM Model (along with the citizen participation model) in all SDP controlled local governments. LGRP provided detailed materials on the AM model to the SDP and they will distribute these materials to all SDP council members and members of local government management boards throughout Croatia.

- LGRP facilitated and participated in a sharing workshop on AM between the City of Varaždin and the City of Knin in Varaždin on September 29.

FINANCIAL MANAGEMENT (FM)

- Eric Uggen, Bearing Point IT Consultant, completed work on linking existing accounting software systems with the CBS through work with pilot local governments of Duga Resa and Dubrovnik. During July, the LGRP organized an orientation for accounting software companies on the application and use of the CBS in local governments by using systems from Duga Resa and Dubrovnik as models.
- Gordon Yurich, BearingPoint consultant, and Eric Uggen, Bearing Point Consultant completed the Documentation of the CBS User's Manual.

At a training session held in July, LGRP promoted the CBS to local software vendors as reliable software for budget preparation and decision-making in local governments. Seven local software vendors attended the orientation with most of them expressing initial interest in incorporating the CBS, in part or whole, to existing accounting software and disseminating the CBS to local governments. As part of the orientation workshop, the LGRP offered the vendors a CD ROM of the CBS and a CBS User's Manual.

PUBLIC PROCUREMENT PROCESS (PPP)

- LGRP organized a series of meetings with Mr. Mathias Mühle, Team Leader of the CARDS 2002 Project "Strengthening the Croatian Public Procurement System" and officials from the State Public Procurement Office, designated by Mato Regvar, Head of Public Procurement Office for direct collaboration with LGRP and CARDS 2002 Project.
 - All participants agreed on the structure of the Public Procurement Manual proposed by CARDS 2002 Project.
 - All participants agreed that there is not a significant difference between the proposed structure of the PP Manual and LGRP PP Model.
 - Participants agreed that all components of the LGRP PP Model should be reviewed and approved by PPO and CARDS 2002 Project prior to their dissemination to the public.
 - Participants accepted CARD's proposal regarding establishment of Working Group consisted of members from different contracting entities (e.g. line ministries, local governments and other qualified government institutions). The task of above said Working Group will be final refining and purification of the PP Manual.
 - In order to avoid contradictions and replication in LGRP and CARDS 2002 activities, CARD's project coordinator proposed creation of joint LGRP and CARDS 2002 Public Procurement Manual.
- In July, Zeljka Zagaga, LGRP CoP and Miroslav Alilovic, LGRP Procurement/Financial Management Specialist, met Rosita Maria Van Meel, The World Bank, Team Leader of the Education Sector Development Project and representatives from the Ministry of Science, Education and Sports regarding possible LGRP's assistance to the Ministry in preparation Standard Bidding Documents.
- In August, LGRP delivered to the Ministry of Science, Education and Sports Complete LGRP Public Procurement Processes Model Package in order to assist Ministry in preparation Standard Bidding



Documents for the Education Sector Development Project financed by The World Bank. LGRP plans follow up with the Ministry to promote the LGRP developed procurement best practices.

ECONOMIC DEVELOPMENT (ED)

- Thirty-two Economic Development Strategic Plans (EDSPs) have been adopted by the management boards of participating local governments of which 22 have already been adopted by the local government councils.
- Following the election and formation of new local governments, the ED team and LGRP-trained local consultants successfully undertook extensive efforts to secure the agreement of local governments to continue the EDSP processes initiated under previous administrations. In the vast majority of cases this was successful but required extensive training of the new Task Force members on the progress already made in the strategic planning processes.
- It is now anticipated that only 47 EDSPs will be adopted by the management boards by March 31, 2006 because LGRP has been instructed by USAID not to provide technical assistance to the City of Karlovac to develop an EDSP as previously planned. Accordingly, the end of project target will be adjusted.
- Guidelines for Linkage of EDSP and Regional Operational Plans (ROPs) was completed and is ready for dissemination upon USAID approval.
- Efforts to better coordinate the EDSP with the ROP have already resulted in the commitment of the Head of the Project Management Unit (PMU) for the Sisacko-Moslavacko to incorporate the EDSPs of Dvor, Glina, Novska, Sunja, Petrinja, Lekenik, Popovaca and Hrvatska Dubica in the preparation of the new County Development Strategy. LGRP has also cooperated with the EU-financed consultants to the ROPs PMUs in 6 counties to encourage local government with EDSP to make appropriate project proposals for incorporation in the ROPs list of prioritized projects for implementation.
- The City of Rijeka has decided that RDA Porin will take the lead in preparing the Update of the City of Rijeka EDSP in coordination with the concurrent development of the Primorsko-Goranska ROP. Although this is delaying slightly the start up of the Rijeka EDSP Update, it provides an excellent opportunity to provide training and technical assistance to the new RDA Porin since they will be responsible for the update and to coordinate the EDSP and ROP linkages.
- The LGRP ED team leader provided technical advice and support to the Buzet-Labin-Porec twinning program with communities of NE Oregon regarding processes for local government support of economic development.
- One LGRP staff member actively participated in the USAID's ESP Project Foreign Direct Investment Benchmarking exercise and dissemination of results.
- In cooperation with the Zagreb School of Economic Management, LGRP staffer Vesna Tomasevic conducted a workshop on "Sports, Tourism and Economic Development" in Zagreb on 12-14 July.

- With the wind-down of ED activities under the revised SOW, responsibilities for monitoring and providing technical support to LGRP-trained ED consultants previously handled by Senka Ramic have been transferred to Vesna Tomašević of the LGRP. Senka was reassigned to work on Functional Assignments under the policy component of the project.

E-GOVERNMENT

- Twenty-nine local governments are now actively using the e-government model. Cost savings and/or cost avoidance for Q4 2005 is estimated at 1.65 million KN and 54,444 citizen usages were recorded in the newly installed automatic system for recording of usages at all installed systems.
- Official opening of the City of Vinkovci E-government Model was held during the Vinkovci City Day attended by the USAID Director, the Speaker of the Croatian Parliament and the Ministers of Health and Education.
- LGRP technicians conducted extensive training of all levels of local government staff in the City of Vinkovci and the 11 cluster municipalities.
- LGRP conducted presentations of the already installed e-government models to several new local government councils and management boards following the elections and installation of new local governments. The presentation in the City of Osijek was attended by Ed Dickens and Tom Rogers from USAID.
- LGRP completed in-depth training and technical assistance on installation and use of the one-stop-shop features of the e-government model. This training on this type of LGRP E-government system has been and continues to be provided to City of Vinkovci.
- LGRP conducted a presented the E-government Model to the new Mayor and city management of the City of Split on July 22. Based on the presentation, attended by the USAID Mission Director, the Mayor agreed to implement the E-government Model.
- LGRP technicians continue to provide technical support to LGRP-trained consultants now implementing contracts with local governments. This training included extensive support for the LAN network design in Pakrac, for the visibility study in Šibenik, and for model adaptations for Bilje and Kapela.
- LGRP technical staff provided on-call technical assistance and further training to all local and regional governments which are currently using the e-government model. As the number of local government users expands, this task requires additional resources.

INVESTMENT PROJECT PACKAGING (IPP)

- The IPP Manuals have been completed and broadly disseminated via the LGRP website as well as through a previous intensive two-day workshop with IPP Partner local governments (Koprivnica,



Crikvenica, and Glina) as well as Novska and Duga Resa. An additional IPP methodology dissemination workshop for the City of Glina and surrounding communities was conducted on July 28.

- LGRP focused its efforts this quarter primarily on using the IPP Manual to develop and disseminate example Financial and Economic Feasibility Studies.
- LGRP finalized the Project Financial and Economic Feasibility Study for the Expansion of the Gvozd Market and formally presented this study to the Mayor and staff of the Municipality of Gvozd on July 27.
- LGRP finalized the Project Financial and Economic Feasibility Study for the Reconstruction of the Balinac-Skela-Gornje Selište- Donje Selište Water Supply Project in the City of Glina and formally presented the study to the Mayor and staff of the City of Glina. The Mayor expressed confidence that the city could, itself, now apply the methodology and financial / economic calculation tools to the remaining five water projects currently being developed by the city.
- LGRP technical staff gave support for development of financial and economic feasibility studies of a wastewater collection project in the City of Korprivnica and for the conversion of a secondary school to a library and music school in the City of Novska.

TWINNING

The third exchange took place under the LGRP Twinning Program between the Northeast Oregon Coalition for Economic Development (comprised of the cities of La Grande and Pendleton and Union County, Oregon) and the cities of Labin, Pazin and Buzet. The exchange took place over the July 11 – 15 period. Three representatives from Oregon traveled to Labin, Buzet and Pazin to continue the work on the selected topics of cooperation, as defined in the joint Work Plan.

The results of the visit were:

- Information materials on entrepreneurship practices and programs in the US were delivered, discussing the importance of community environment factors, such as local support, openness to entrepreneurship, balancing of business attraction efforts, entrepreneurship programs, leadership, availability of investment, and readiness to cooperate with neighbors
- a Community Economic Development Information packet that will help the Croatian teams put together information for future investors was delivered to the Croatian cities
- Discussions took place on how US cities address infrastructure needs to encourage new business investment.
- As a result of their visit to the US in March, the Buzet team appropriated the US style of fire department-medical emergency teams collaboration; to launch this emergency aid model, the Buzet department purchased fire engines commensurate with what is in use in the US; delivery is anticipated in the next couple of weeks.
- A video-conference was conducted on July 13 between the representatives of the three Istrian cities and the two US cities, located in Buzet, and the mayor of Pendleton, the City Attorney, as well as two representatives of the Blue Mountains Community College with a discussion that focused on possible collaboration between the Polytechnics School in Pula (who assisted in organizing the video

conference) and the College; possible areas of collaboration include work with entrepreneurs to improve their business skills, as well as other areas to be defined by the institutions of higher education.

- A fourth exchange took place between the City of Karlovac and Kansas City. The exchange took place over the September 5 – 9 period. Three representatives from Kansas City traveled to Karlovac to continue the work on the selected topics of cooperation, as defined in the joint Work Plan.

The key outcomes from the exchange were:

- A workshop with Neighborhood Committees was conducted to focus on the City's work with its citizens, based on Kansas City's experience in the Livable Neighborhoods Program.
- On the basis of this workshop's findings, the teams drafted a list with proposed activities that will help strengthen the city's communication with its citizens.
- The financial incentives package for future investors that will be finalized by the City Council before the end of 2005 was advanced.
- A first draft of a marketing brochure featuring Karlovac's three investment zones was created.
- A preliminary marketing plan for dissemination of the brochure was created.
- The new City administration committed its full support and participation in the Twinning Program's future activities.

A second exchange took place between the City of Dubrovnik and the City of Monterey, California. The exchange took place over the September 12 – 16 period. Seven representatives from Dubrovnik traveled to Monterey to continue the work on the selected topics of cooperation, and finalize the joint Work Plan.

The key outcomes from the exchange were:

- The formation of a productive working relationship between elected officials and professional staff representing both cities was furthered
- Commonalities of issues, interests and community character were identified
- The Dubrovnik partners were provided with an opportunity to assess and validate the compatibility of Monterey as a suitable partner.
- A viable Work Plan was created. The Work Plan effectively responds to identified needs and opportunities and could be accepted by representatives of the partner cities present and officially endorsed by the Mayor during the upcoming exchange visit to Dubrovnik that will take place over the October 21-28 period.

PA TRAINING

- LGRP and Zagreb School of Economics and Management (ZSEM) organized two short seminars - "Sports, Tourism and Economic Development" (July 12-14) and "Communication Methods for Improving Management - Appreciative Inquiry for Organizations and Communities" (September 8). LGRP worked together with ZSEM to compile/design a course brochure as well as an announcement of the seminar at the Project web site. Journalists attended the July event (Privredni vjesnik, Hrvatski radio, Glas Hrvatske – Voice of Croatia) to further promote LGRP and ZSEM collaboration to implement certificate courses.



- LGRP worked to complete the designs of a strategy for collaboration with University of Zadar, Zagreb School of Economics and Management, and University of Zagreb. Tom Cozzens traveled to Croatia to begin the first set of meetings with each of these institutions of higher learning to write a draft design strategy. The strategies will build upon public administration practices (LGRP-developed management models) found in Croatia supplemented with additional public administration practices offered by CSU. The approach to implementing the certificate courses will rely on LGRP staff/consultants, CSU consultants or existing in-country resources.

MEDIA OUTREACH

- USAID awarded Kristian Reisman, a journalist who participated in the USAID/UNDP workshop "Role of Media in Local Democracy" in Šibenik (April 2005), the best media report on local government affairs. A press release was published on the US Embassy's website in July ("Journalist Kristian Stepic Reisman Awarded Best Article on Local Democracy Issues"), and reported by the HINA (Croatian national new agency). It was also published on the LGRP project web site. Kristian Reisman will participate as part the twinning exchange program between Istrian cities of Buzet, Labin and Pazin and NE Oregon cities of La Grande, Pendleton and Union County that will take place in November.
- LGRP prepared a press release for the twinning exchange visit between NE Oregon cities (Pendleton, La Grande) and Istrian cities that took place in July. A joint press conference was scheduled on July 14 in Buzet. LGRP media outreach specialist prepared the conference scenario for the Buzet city officials and the USAID representatives. The first online transcontinental videoconference was held between the participants of the project and Blue Mountain College in Pendleton, OR. The videoconference was held for local journalists (Glas Istre, Vecernji list and Radio Zona) who attended the press conference.
- For the purposes of real-time reporting from the twinning exchange visit locations, LGRP media outreach specialist created an "E.wire" column on the LGRP web site. Tomislav Petric, interpreter accompanying the twinning exchange teams, wrote articles covering the events in real time.
- LGRP was instrumental in "Vecernji list" (national daily newspaper with the second highest circulation in the country) to issuance of an article promoting Savez's (Union of Associations of Cities and Municipalities) "Best Practice in Local Government" project. The article was published on August 21, under the title: *Encouragements - City and municipality governments awarded for the implementation of unique projects over the past year "Children-counselors and free bicycles as best city's projects"*.
- LGRP media specialist wrote a press release announcing Karlovac and Kansas City twinning exchange which was issued on the US Embassy's website. A press conference also took place in Karlovac.
- VOA (Voice of America) published an interview with Fred Meurer, Monterey City Manager, on the occasion of the Dubrovnik reciprocal twinning exchange visit to Monterey in September. An article (Žorž Crmaric) was also published by the "Poslovni dnevnik" (Business Daily), leading Croatian business daily on USAID twinning program.

- Dubrovnik city officials visited California's City of Monterey from September 12 - 16 as part of the Croatian delegation's first reciprocal twinning exchange visit to the US. LGRP media specialist drafted a press release announcing the event and posted it as News on the LGRP web site.
- Rebecca Lawrence (UI staff) and the LGRP media specialist designed a Recruitment Strategy for the Master of Public Administration (MPA) at the University of Rijeka – Faculty of Economics (EFRI). LGRP will work to elaborate this strategy to include an action plan for its implementation. EFRI revised the current MPA program for the purposes of adapting it to the "Bologna Accord". As part of this revision, the MPA will be reduced from a two-year scientific degree (MPA) to a one-year professional specialization degree titled "Management in the Public Sector".
- The President of the first Youth City Council of Slatina, Matej Peretin (age 14), was invited to accompany the Croatian state delegation to the Sixtieth Session of the United Nations General Assembly in New York in October. He is to give a speech about his experience in electing the first Youth City Council in Slatina as part of the UN General Assembly's discussion about the achieved progress in the implementation of the World Program of Action for Youth. LGRP media specialist drafted a press release announcing this news with the U.S. Embassy publishing the press release.
- LGRP maintained of its web site with listing of activities, documents, manuals, photographs and other documents. The leading Croatian daily newspaper "Jutarnji list" (average circulation: 120.000) recommended the LGRP web site in its section "Web Tip" (July 27). Web site statistics on "visitors per day" for LGRP web page for the last 6 months show on average 6.000 visitors per month.

OTHER LGRP ACTIVITIES

Split Office Activities

- LGRP provided for the City of Split Mayor information on standards on 'Quality management Systems – guidelines for performance improvements (ISO 9004:2000)' along with information on the implementation of those standards in Croatia.
- LGRP held presentations (July 26-27) in Skradin, Knin and Gracac on the LGRP achievements on initiative of the CARE International Sustainable Development in Return Areas through Civil Society Project (SDRA-CS). In September and October representatives from local governments, NGOs and business sector from Skradin, Knin and Gracac visited selected local governments to transfer best practices as part of this activity.
- LGRP assisted the University of Zadar to organize a certificate course "Communication Methods for Improving Management", that was held in Zadar on September 12-13. At the same time, meetings between Zadar University heads and LGRP specialists took place on developing a strategy to create a system of certificate courses for mid-career professionals in local public administration. The meeting centered on developing a strategy for University of Zadar University and Sibenik College.
- In September, STINA News Agency published the manual 'Local self-government and reform-challenges' with texts from LGRP specialists (Krsysztof Chmura, Mirna Karzen, Nenad Klapcic, Momo



Kuzmanovic and Miljenko Smit). A selection of these articles previously appeared in the STINA monthly "Local Democracy Newsletter" (Glasnik za lokalnu demokraciju).

Organizational Development (OD)

Direct technical assistance to implement the Organizational Development Model in the Partner Local Government of Slatina continued and achieved the following results:

- Victor Wekselberg, LGRP consultant, finalized the Performance Appraisal System for the Slatina City Administration. Based on the input from the City staff, evaluation forms were created during that will be used on quarterly basis to evaluate the City Administration staff, beginning with the first quarter of 2006.
- In September, Victor Wekselberg and Igor Miškulin traveled to Slatina to conduct a survey of selected dimensions for the Performance Appraisal System among City staff; based on the results, a form with criteria was created to be presented to the City staff.
- In September, Victor Wekselberg and Igor Miškulin traveled to Slatina to present the final version of the Performance Appraisal System to the City staff; the training of the City staff on understanding and using the Performance Appraisal System was conducted; the training consisted of two parts – the first part of the training was organized for all staff, and the second part the training was organized for the raters only (i.e. the members of the Top Management Team – Mayor and heads of departments)

With the end of the next reporting quarter, the LGRP (Fred Rosensweig, TRG consultant, and Victor Wekselberg, LGRP Consultant) completed the Organizational Development Manual and all other work to finalize it commitments to City of Slatina on Organizational Development Model. LGRP, with USAID concurrence, plans to disseminate the OD manual that was produced as part of this work.

Cooperation with Other USAID Projects

- An Asset Sales Workshop was conducted jointly by the USAID Privatization Project and LGRP in Zagreb on September 30. The objective of the workshop was to disseminate the experience gained by the Privatization Project in asset sales and standard asset sales documentation to LGRP-trained AM consultants and local governments which have implemented the AM Model. Six LGRP-trained AM consultants and representatives of 13 local governments participated. The workshop material was sent to the local governments that were unable to attend the workshop.
- LGRP cooperated with the USAID ESP Project in the FDI Facilitation and Zone Management Benchmarking Exercise to create a methodology for evaluating the performance of existing industrial estates and business zones in attracting foreign direct investment and to make practical recommendations on how to improve performance. LGRP plans further cooperation to conduct joint certificate courses as part of its public administration training component.
- LGRP participated in USAID's Quarterly Review and presented "managing the LGRP pipeline/expenditures" at the request of USAID.

IV. PROBLEMS OR DELAYS AFFECTING PROJECT PERFORMANCE

Work to develop the revised scope of work affected project performance as the project management team allocated many hours to respond to USAID's request for budget and technical data needs and to review draft text and performance monitoring targets and indicators. The project worked to re-direct resources to conform to USAID's refocus of the project.

V. MAJOR WORK PLANNED FOR NEXT REPORTING PERIOD

Policy and Legislative, Advocacy

- The draft functional assignment matrices will be further developed and refined and will form the basis of discussions for a series of roundtables with representatives of local government of various size groupings (e.g. cities with population greater than 40,000 persons) to get their input on the tasks that they are capable of absorbing and their priorities for devolution.
- Based on the outcome of these roundtables, the Contractor will, in cooperation with Savez, develop recommendations regarding proposed tasks for devolution to local governments both from the state/regional state administration and the county self governments.
- Local Government Hours will be conducted by GONG on select topics related to local government reform.
- LGRP will maintain the Advocacy Network by providing forums and information to the Network.
- LGRP in collaboration with the Savez will launch an extensive media/public relations campaign (using a local subcontractor) to enhance the visibility of the Association and to show how the media campaign can benefit the NGO.
- LGRP will contribute to the Savez Annual Assembly through presentations and organizational assistance. After the Assembly, the LGRP will work with the new leadership to enhance advocacy methods of the Association.

Market for Services (Outsourcing)

LGRP will continue coordination of regional conferences (four to be held during the quarter), finalization of the report on outsourcing with the LGRP-trained consultant Antun Vidas, and further developing this program component related to outsourcing. Coordination of regional conferences includes tasks such as: development of program components, agenda, coordination with speakers and facilitation. LGRP staff will also exchange information with other experts on outsourcing (e.g. National Foundation for Civil Society, different associations, NGOs, as well as local governments about their needs and priorities) in order to better develop LGRP strategy in this field and assist local consultants in providing their services to local governments.

LGRP will continue data collection for input to the Directory of Service Providers while making this data available for local governments.

- LGRP will evaluate HUKON through interviews with a sample of 20 representatives (Board members, HUKON members, non-members, other associations and organizations) and review of all relevant material and reports as results up to date (resources, activities, results etc.) to result in a report.



LGRP will assist HUKON on developing project proposals and defining financial priorities (planning, long term budget, etc) as a NGO, as well as on promoting their activities to other associations and organizations/donors (e.g. TREF, National Foundation, Savez, AED etc.). This work will be carried out by a financial consultant.

- Continue working individually with LGRP-trained consultants on deepening their activities and promoting results to other local governments. One way of promoting their results is through educational seminars to other local governments or manuals that could be published by other NGOs (e.g. Odras) as a way of outsourcing.

Asset Management (AM)

- LGRP will continue of AM Model implementation in the City of Split. First it is necessary to provide extensive review of the AM Model and its application to-date in Split as two thirds of the new Task Force is new to the process.
- Work with Karlovac to gain commitment of new Mayor to proceed with AM Model implementation, formulation of a new Task Force, and continuation of AM activities, including the preparation of a Comprehensive AM Strategy.
- LGRP will work with City of Rijeka to assign a Task Force in October, at which time AM Model implementation will begin immediately.
- LGRP will continue to provide technical support and monitoring of Cost Share Program contracts for Asset Management in Šibenik, Porec, Kastela and Trogir, among others.
- LGRP will finalize and disseminate the Guideline on the Legal Basis of Asset Management.
- LGRP will work to include AM in Public Administration training programs as required and in response to demand from partner institutions.

Financial Management

- Eric Uggen, Bearing Point IT Consultant, will conduct training for LGRP financial management staff to instruct them on the use of the CBS and follow up with select software vendors that expressed an interest in incorporating the CBS as part of their accounting systems for wider dissemination to local governments
- LGRP will provide technical assistance for the second group of software vendors on the use of the CBS and linking of the CBS with their accounting software systems.
- LGRP will disseminate CBS and User Manuals to the selected software vendors.

Public Procurement

- LGRP will continue collaboration with CARDS Project "Strengthening the Croatian Public Procurement System" and Public Procurement Office in order to jointly develop unique Croatian Public Procurement Processes Manual. By the end of the next quarter, LGRP expects endorsement of the Manual by Public Procurement Office.
- LGRP will assist Ministry of Science, Education and Sports in preparation Draft Standard Bidding Documents for the Education Sector Development Program Project financed by The World Bank.

Economic Development

- LGRP will work with the City of Rijeka to update their strategic plan.
- LGRP will continue implementation of Cost Share Program contracts by supporting LGRP-trained consultants working in this area.
- LGRP will further disseminate the Guidelines for EDSP-ROP Linkage.
- LGRP will conduct training on EU Project Preparation to targeted larger partner cities and LGRP-trained consultants.
- LGRP will explore cooperation with USAID's ESP project regarding (1) dissemination of FDI Benchmarking Exercise results to LGRP-trained ED consultants and local governments implementing EDSPs and (2) public administration training on reducing barriers to local economic development.

E-Government

- LGRP will plan for the official opening of the E-Government Models in the cluster of 11 municipalities around Okucani followed by additional staff training of all levels of staff.
- LGRP will continue training and technical assistance in the One-Stop-Shop application to incorporate permitting processes in Vinkovci, and now being expanded to the City of Crikvenica.
- LGRP will continue mobilization of the City of Split Task Force for the E-Government system and conduct a visibility study of the existing IT environment in the City.
- LGRP will explore selected Counties' interest and capacity to facilitate broad dissemination the E-Government model to local governments within their jurisdictions.

Investment Project Planning (IPP)

- LGRP will prepare draft financial and economic feasibility studies for the projects in Novska and Koprivnica that are ready for the inclusion of final construction cost data, to be provided upon completion of the detailed designs now in progress.
- LGRP will provide continuing training and technical assistance to five local governments where feasibility studies and application of the IPP methodology was conducted to ensure sustainability of the IPP application.
- LGRP will prepare materials for broad dissemination with recommendations to local governments for locating, planning budgeting and monitoring capital financing, as required under the revised scope of work in the Policy Component Benchmark 1.4.5.

PA Training

- LGRP will conduct at least two certificate courses on public administration topics most probably with University of Zadar, Zagreb School of Economics and Management, and University of Zagreb. LGRP will also submit designs for a joint strategy with institutions of higher learning to implement certificate courses.
LGRP will complete design of strategies for collaboration to implement certificate courses at the University of Zagreb, Zagreb School of Economics and Management, University of Split, and University of Zadar.

ATTACHMENT

Financial Summary